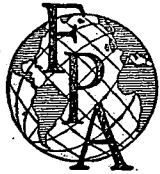


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WILL ECONOMIC RIFT LEAD TO EAST-WEST DIVISION OF GERMANY?

THE heated debate on Germany that concluded the meeting of the Foreign Ministers in Paris on July 12 contributed little to the immediate solution of the basic problems confronting the Allies in the Reich, but it did help to clarify Big Four policies toward that country. Now that each of the great powers has made an official declaration of its views, it is possible to define with greater accuracy than before the areas of harmony and discord that exist among the four occupying powers.

WHERE COMMON GROUND IS FOUND.

Superficially, at least, the Foreign Ministers' discussion indicated that all four powers agree it is neither desirable nor practical to strip Germany of productive capacity and reduce it to an agrarian state. As Foreign Minister Molotov declared on July 10, "such a course would result in undermining the economy of Europe, in the dislocation of world economy and in a chronic political crisis in Germany that would spell a threat to peace and tranquillity." This pronouncement by the Soviet representative bears so close a resemblance to numerous British and American statements on Germany's economic needs that it could easily have been made by Foreign Secretary Bevin or Secretary of State Byrnes. The Russian suggestion that the so-called "level of industry proposal" for Germany—announced on March 28 and designed to reduce German industry by 1949 to half its pre-war production—might have to be revised upward, also echoes the strong opposition that Britain particularly has been offering to this plan. Moreover, when Mr. Molotov proceeded to the related question of the Ruhr and declared that, without this industrial center, "Germany cannot exist as an independent and viable state," he took the same general position as that which London and Washington have consistently maintained. The

discussion also revealed formal agreement among Russia, Britain and the United States on the desirability of setting up German central economic administrations, under Allied supervision, as a necessary step toward the establishment of a government for all of Germany. Although the French continue to maintain that the creation of these central German administrative bodies "should be bound up with an examination of (France's) propositions relative to the future of the Ruhr and Rhineland," President-Premier Bidault made a notable concession to the views of other Allies by approving "the provisional treatment of Germany . . . as an economic unity, without waiting for a discussion of the future status of the territories in question."

SELF-SUFFICIENCY VERSUS REPARATIONS.

Despite Allied agreement at Paris that German economic revival is essential to the self-sufficiency of the occupied country itself and the reconstruction of Europe as a whole, the Western powers and Russia hold this view for such different reasons that their unanimity on the diplomatic level has not been carried over into actual administrative practices. To the British and Americans, whose zones are deficient in essential food production, it is of the greatest importance that Germans in the west be permitted to become self-supporting by exchanging their raw materials and manufactured products for food and essential consumers' goods from the Russian zone. The Russians, on the other hand, regard the restoration of German industry as desirable primarily because they hope to harness German production to Soviet reconstruction. During the past year, accordingly, Russian occupation authorities have refused to exchange goods from their zone for imports from the west, on the ground that such imports are due to them as reparations and hence do not

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require any payment. In reply to this argument the British and Americans have pointed out that the Potsdam agreement on reparations specifically provided that the Soviet government is entitled to receive only existing capital equipment—not goods from current production needed to maintain German self-sufficiency—from the western zones in addition to whatever reparations it collected from its own sector.

The Russians, however, refused to accept this argument. As a result, Britain and the United States have been obliged to keep their zones on a "dole" which is annually costing Britain approximately \$320,000,000 and the United States about \$200,000,000. It is, therefore, primarily because of the immediate and practical necessity of making Germany capable of paying for its own basic necessities of life, that Britain and the United States insist on administration of the entire country as an economic unit. At the same time, the Western powers do not want to see Russia integrate the economy of its zone with that of the Soviet sphere to such an extent as to prevent the ultimate reestablishment of economic links between eastern and western Germany.

ONE GERMANY OR TWO? The failure so far of American and British efforts to secure the co-operation of Russia in administering Germany as a self-sufficient economic unit was indicated on July 9 when Mr. Molotov declared that Russia intended to obtain from Germany \$10,000,000,000

worth of reparations—a sum so large that it would clearly have to be collected out of current production of the western zones as well as existing capital equipment. Confronted by Soviet insistence that reparations take priority over Germany's own current needs, Mr. Byrnes announced on July 11 that the United States proposes to "join with any other occupying government in Germany for the treatment of our respective zones as an economic unit," and in his radio report to the American public on July 15 he reiterated this plan. Even if it is assumed that the French will join the other western zones, this development will hardly succeed in making the western zones entirely self-sufficient, for the German economy has long been based on a balance between the breadbasket in the east and the industrial plants of the west. Nevertheless, an economic union of the western zones will undoubtedly help improve conditions throughout this area by facilitating the exchange of skilled labor, coal and iron from the British zone, and electrical power, textiles and industrial machinery from the American sector. Because the creation of a western German economic union will inevitably have political repercussions, this move on the part of the United States and Britain may mark a far more important development in Allied occupation policy than the general announcement by the Big Four of their diplomatic agreement on major issues in Germany.

WINIFRED N. HADSEL

BRITISH FEEL U.S. OVERSIMPLIFIES PALESTINE ISSUE

The brutal massacre of Polish Jews in Kielce on July 4 accentuates the urgency of the task confronting the Anglo-American representatives who began in London on July 12 a new phase of the already prolonged deliberations on Palestine. Meeting in secret at the Cabinet offices in historic Whitehall Palace, the delegates are expected to discuss the extent and nature of the aid the United States will give Britain if the ten recommendations of the Anglo-American Committee of Inquiry are formally adopted. A previous group of experts has already worked out technical details for moving 100,000 Jews into Palestine, but the decision to take this step must await governmental action.

PESSIMISM IN LONDON. The new talks opened in an atmosphere of pessimism. Reports from London suggest first, that the British will not consider the proposal for admitting 100,000 Jews apart from the other nine recommendations; and second, that the British government will reject all ten recommendations unless the United States promises military aid, as well as financial assistance and transportation facilities. If the British do insist on these conditions, agreement on definite action seems impossible.

Why are the British so reluctant to act? The

answer lies in the fact that the Arab world is as important to them for strategic reasons as the Caribbean area is to the United States. Realizing the need for Arab friendship, Britain is reshaping its Middle Eastern position in the hope of reconciling the Arabs to its security aims. Since this policy entails withdrawal from Egypt, and possibly Iraq, the British would like to create a "Gibraltar of the Middle East" in the Palestine-Transjordan region. If such a base is to be strong, it should be surrounded by as friendly a population as possible. In the British view, this raises the admittedly cruel dilemma of whether to placate Jews or Arabs.

Although the Zionist conception of the Arab League as primarily a British tool is open to question, it is true that the movement toward Arab unity has been fostered for some time by the British Foreign and Colonial Offices. Some British army men, however, who were alienated by Arab hostility during the war, fear that the Arabs, having driven the French out of the Levant, will turn their undivided efforts against the British once the Zionist threat has been removed. According to this view, which is also held by many Zionists, a Jewish state in Palestine offers Britain the best hope of satisfying its strategic requirements. The Jews, it is de-

clared, would be loyal to Britain both because they would need British protection from hostile Arab states encircling them, and because of their traditional attachment to Anglo-American democratic ideals. Moreover, Jewish industrial development has made Palestine the only Middle East state where Britain could find the production that would help to ensure the maintenance of a strong base.

WILL ARABS CHALLENGE BRITAIN? The British government, however, with widespread interests in Iraq, Cyrenaica, Suez and other points throughout the Arab world, is understandably reluctant to arouse further Arab antagonism. In an effort to prevent British fulfillment of the Palestine report's recommendations, the Arabs have threatened; at various times, to resort to arms, to refuse oil and other commercial concessions, to seek Russian help, to appeal to the United Nations, and to assault Jewish communities in other Arab states. Zionists dismiss these threats as mere bluff.

Although the Palestine Arabs do not have the military organization, training or leadership possessed by the 70,000 men of the Jewish Haganah, they do have arms, and believe that they would be aided by volunteers and arms smuggled from neighboring Arab states. Zionists contend, however, that the Haganah can handle any such unlikely danger, and that in any case the Haganah can make far more trouble for Britain if it does not adopt the report than the Arabs can if it does. As for Arab refusals to grant concessions, Zionists point out that the Arabs prefer American or British to possible Russian concessionaires. Arab threats to seek Russia's help are also ignored by the Zionists, who believe the Arab landlord ruling class fears communism more than western influences. It is asserted that the Iraqi, who for a while hoped to follow the Egyptian lead in demanding the withdrawal of British troops, abandoned this scheme when the threat of a Russian-inspired movement for an autonomous Kurdistan arose. Similar feelings on the part of the

Egyptian government are indicated by its decree of July 13 dissolving eleven educational, cultural, scientific, social and labor organizations which it accuses of propagating subversive ideas. The chief impetus for the Arab threat to call in the Russians comes from Lebanon and Palestine. As for an Arab appeal to the United Nations, the Zionists declare that they have their own case to present to that organization. The Zionists show a growing realization, however, that the Arab League, is a force to be reckoned with.

REVIVAL OF PARTITION IDEA. To the British the whole problem presents such complexity that there is great irritation in London over what is regarded as the American tendency to oversimplify the issues involved. In their discouragement, some Britishers are turning again to the plan proposed by the Peel commission in 1937, to partition Palestine into Jewish and Arab states. On July 11 *The Manchester Guardian* and *The Economist* were reported to have suggested partition in case the report of the Anglo-American Committee of Inquiry is found unworkable. Two days earlier Dr. Chaim Weizmann, President of the Jewish Agency in Palestine, declared that "many Jewish people and much public opinion everywhere" favor partition, and that it "must not be rejected as a possible solution."

But the need for getting 100,000 Jews into Palestine remains urgent. It is a humanitarian need which transcends all selfish political interests, and should not be postponed until a decision on the future status of Palestine is reached. The Arab Higher Committee on July 7 drafted a letter to President Truman suggesting that he open the doors of America "if he is really in sympathy with the Jews and their plight in Christian Europe." Morally, this Arab plea is unassailable, but practically, Zionists consider it unrealizable. Without further delay, however, Britain and the United States could bring 100,000 Jews into Palestine.

VERNON MCKAY

APPARENT CONTRADICTIONS IN U.S. POLICY PERPLEX CHINESE

SHANGHAI—Whatever differences of opinion exist on other questions, most Chinese observers agree that the United States has the decisive power to determine whether there shall be genuine internal peace in China, all-out civil war, or continuation of the ambiguous state of neither war nor peace that prevails today. This means that the Chinese will ultimately hold America responsible for much of what happens here, and that the Far Eastern position of the United States will be affected accordingly for good or ill. The Chinese are aware of their own responsibilities, but politically conscious people—whether they belong to the Kuomintang or the Communist Party, whether they are third-party lib-

erals or non-partisans—realize that their actions are affected by the role of the United States, and especially by our country's relations with Russia.

CONDITIONAL OR UNCONDITIONAL SUPPORT. The record of the past ten months since Japan's surrender raises the question whether the United States has used its extraordinary influence in China effectively to promote internal peace. It may be argued that the task is too great for any foreign country, but in that case it is still not too late to alter our course. Quite apart from this, however, the Chinese believe there have been serious shortcomings in our policy.

In the first place there was the fiasco of the Hur-

ley diplomacy, which threatened to involve us to the hilt in a full-fledged Chinese civil war on the Spanish model within two months after the end of World War II. Then came a brief respite with President Truman's policy statement of December 15, ambiguous in some respects, but nevertheless a welcome declaration of the need for a democratic coalition government in China and the intention of the United States to make aid to China conditional on the achievement of political and military unity. Yet after December 15, as before, the Chinese felt there was a serious gap between the language and action of American policymakers.

EFFECTS OF MARSHALL'S MISSION. General Marshall—who, everyone agrees, has worked with the greatest diligence to achieve peace—was sent here to mediate in the conflict between the government and the Communists. During his first visit to China the more warlike elements in the Kuomintang became worried over the possibility that the United States, acting as an impartial mediator, would really make its support conditional on fundamental reforms. Largely as a result of this factor, peace-minded Chinese leaders were able to bring about political and military agreements that held great hope for the future. But no sooner were those pacts on paper than the reactionary group within the Kuomintang began to work for their abandonment. At the same time the crisis that developed in Manchuria over the presence of Russian troops and Chinese Communist activities in that area against government forces seriously clouded the foreign and domestic scene, and created tension between the United States and Russia.

When this happened, the United States appears to have abandoned the policy of giving conditional support of Chiang Kai-shek which it had announced last December. Taking into consideration the tense state of American-Soviet relations rather than the realities of the Chinese situation, Washington

adopted measures which encouraged the militarists in China and prejudiced the possibility of a peaceful settlement. For there should be no misunderstanding of one fact: that, while all groups in this country have made their mistakes, the most active war-making force resides in the small group of military men and civilians who constitute the extreme right wing of the Kuomintang. This group, who now dominate the government, based their policy in the past on an outmoded agrarian system; and have no program that would enable them to survive in peaceful political competition with other groups. They therefore seek to prevent the establishment of genuine internal peace.

POLICY DURING THE TRUCE. The unconditional character of American support of the Central government has at no time been clearer to the Chinese than in the Nanking negotiations held since the Manchurian truce was initiated on June 7. On June 14 it became known that the United States wished to train an army of 1,000,000 Chinese troops. Although the announcement indicated that both government and Communist forces would receive training, it was universally regarded here as a measure of military support for the government. Shortly thereafter President Truman also announced that China would receive lend-lease assistance until all Japanese have been repatriated from this country. Extensive interviews with government officials, third-party liberals, and Communist representatives indicate that no leading Chinese felt the United States has been acting as an impartial mediator and giving its assistance to "China" rather than to a specific government in a specific internal struggle. The only difference in view among those expressing an opinion was that the war-minded leaders indicated their satisfaction with American assistance, while the others intimated or openly stated their dislike for American military aid under existing conditions.

LAWRENCE K. ROSINGER

(The first in a series of articles on United States policy in China.)

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